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ABSTRACT

This paper presents an overview of labor relations in Sweden from the mid-19th century until the present. It begins with some basic facts about Swedish history, population, economy, and geography, then describes the historical background of labor union organization in the country. The paper then outlines the various types of trade unions in Sweden, as well as employer organizations. Collective bargaining, labor legislation, and employee participation in decision making at the workplace are addressed in the following three sections. A summary of recent immigration and immigration policies is then followed by the final section of the paper. This section highlights current issues of employment and labor relations, such as productivity, work-related injuries, and income tax reform. (KC)

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Labor Relations in Sweden

Sweden is regarded as having a highly developed labor market. It has attracted attention because of its strong business sector, its high level of trade union membership, peaceful cooperation between employers and trade unions, and closely regulated labor relations.

Some basic facts

Sweden has 8.5 million inhabitants in an area of 450,000 square kilometers (174,000 square miles). This is fewer than 20 people per km^2 (about 52 per mi^2). The population includes 1.5 million people aged 65 or over and nearly 1.6 million aged 0–15, leaving 5.3 million of working age (16–64). Of Sweden's total population, no fewer than 4.5 million—more than 53% of the population—belong to the labor force.

Just over a century ago, Sweden was still an agrarian country. At about that time, there began a process of industrialization which has continued through our own times. In the past 20–30 years, however, the largest growth in jobs has been in the public sector. Private enterprise accounts for 63% of employment in Sweden today, the public sector 37%; comparable figures for 1965 were 79% and 21% respectively.

Sweden is highly dependent on its foreign trade. Exports amount to roughly 30% of the Gross Domestic Product (GDP), or about the same percentage as in Britain or West Germany. Sweden is often noted for its high taxes. According to figures from the Organization for Economic Cooperation and Development (OECD), Sweden's tax revenues amounted to 53.5% of GDP in 1986, compared with 44.2% in France, 39% in Britain, 37.5% in West Germany and 28.9% in the United States. In 1989 the figure for Sweden was close to 56%.

Sweden is usually regarded as the promised land of special-interest organizations. A very large proportion of eligible employees belong to trade unions—about 85%—and to numerous organizations in other fields. Private ownership of the business sector is nevertheless larger than many people realize—also around 85%.

During the 20th century, the average real industrial wage has roughly quintupled, while at the same time the number of working hours per year has fallen by more than 40%, from 3,100 to 1,800. The following table shows annual labor costs for an industrial worker since 1900, converted into 1988 prices:

1900	SEK 32,000
1920	SEK 36,000
1940	SEK 52,000
1960	SEK 87,000
1988	SEK 182,400

Of the SEK 182,400 paid in 1988, about SEK 127,400 consisted of wages (SEK 47,000 of this was withheld by the employer for income tax payments) and SEK 55,000 comprised social welfare contributions paid by the employer to the government on behalf of each worker. The corresponding figures for white-collar workers in the business sector were a total labor cost of SEK 260,500: gross salary of SEK 178,500 (of which SEK 77,900 was withheld for income taxes) and social welfare contributions of SEK 82,000.

As indicated above, employers pay social welfare contributions to the public sector, in addition to meeting payrolls. As of 1989 the figures are 43.5% of annual wages in the case of blue-collar workers (1973: 18.1%) and 46.4% of the salaries of white-collar workers. The largest of these items are the fees which finance the national supplementary pension system (11%), the health insurance system (10.1%), the basic pension (9.45%) and—in the case of white-collar workers—private pension systems (8.25%).

Historical background

Workers in Sweden began to organize themselves into unions in the mid-19th century. The first union in Sweden was formed in 1846 when the Typographical Association was established in Stockholm, but the concept of organized labor in the modern sense emerged only after the industrial revolution began during the 1870s and 1880s. In the 1880s the first national trade unions came into being, most of them based on the craft principle. In 1898 a number of unions joined forces to form a central organization known as the Swedish Trade Union Confederation *(Landsorganisationen i Sverige, LO)*. By this time 27 national labor unions existed, but not all of them joined LO immediately.

A few years later, in 1902, the employers formed the Swedish Employers' Confederation *(Svenska arbetsgivareföreningen, SAF)*. In 1906 LO and SAF began to realize they had to recognize each other's rights, and they signed the so-called December Compromise.

In this agreement, SAF formally recognized that the workers were entitled to form organizations and to negotiate. LO recognized the right of the employers to hire and fire workers freely, to direct and allot work and to hire any workers they pleased (i.e. no closed shop clauses were allowed; this is still the case today).

The General Strike of 1909 brought a halt to this early period of cooperation, and for many years conditions on the labor market were unclear, with the employers holding the stronger position. During the 1920s, new labor legislation began to be passed. Of particular importance were the Collective Bargaining Act and the Labor Court Act, both adopted in 1928.

The 1930s witnessed the beginnings of labor-management cooperation on the basis of greater mutual trust. In 1938 SAF and LO concluded the Saltsjöbaden Agreement, a major event at that time (Saltsjöbaden is a seaside resort near Stockholm). This basic agreement regulated the mutual relations between labor and management with regard to negotiations and industrial action.

Meanwhile, in the early 1930s, white-collar workers had begun to organize themselves into trade unions completely independent of

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LO, in many cases by expanding or adapting professional and social organizations formed long before then.

The Central Organization of Salaried Employees *(Tjänstemännens centralorganisation, TCO)* was formed in 1944 as the result of a merger between two central white-collar confederations, one representing private-sector employees (founded in 1931), the other civil servants (founded in 1941).

The Swedish Confederation of Professional Associations *(Sveriges Akademikers Centralorganisation, SACO)* was formed in 1947. At first the criterion for membership was a university education or the equivalent, but its recruitment principles were later modified somewhat as a result of changes on the labor market. In 1975 SACO merged with the National Federation of Civil Servants *(Statstjänstemännens riksförbund, SR)* to form a joint confederation called *Centralorganisationen SACO/SR*.

During the 1940s, a number of basic agreements aside from the Saltsjöbaden pact were signed. They concerned workers' protection, vocational training, works councils (including both employer and union representatives) and time-and-motion studies. During the 1950s, similar agreements were concluded in the

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white-collar area as the organizations in this sector gained strength.

Because of these agreements and the cooperative "spirit of Saltsjöbaden" between labor and management that accompanied them, the number of strikes on the Swedish labor market remained low for several decades, except for a prolonged conflict in the engineering industry in 1945. The relative lack of industrial action was a strong contributing factor to Sweden's growing prosperity during the 1950s and 1960s. A "Swedish Model" took shape, characterized by centralized collective bargaining, an active government labor market policy and very few labor disputes. Companies such as Alfa-Laval, ASEA, Atlas Copco, Electrolux, Ericsson and many others grew strong.

During the 1970s Sweden, like other countries, encountered major economic setbacks which continued into the 1980s. A wide range of labor legislation was adopted, with the 1977 Act on Employee Participation in Decision-Making (also called the Co-Determination Act or by its Swedish acronym MBL) attracting the most attention.

At the confederation level, there is a gap between the views of employers and unions on quite a number of issues, particularly with regard to the employee (or wage-earner) investment funds and on pay policy.

Trade unions

Unlike most countries, Sweden has separate trade unions for blue-collar and white-collar workers. The three confederations mentioned above dominate the picture—one for blue-collar workers and two for the white-collar sector.

By far the largest confederation of trade unions is LO. With its 2.3 million members (1.8 million of these are in work), LO covers about 90% of all blue-collar workers. LO has always cooperated closely with the Social Democratic Party, which ruled Sweden during the period 1932–1976 and returned to power in 1982.

LO today comprises 23 nationwide trade unions with 1,200 branches and roughly 12,000 local branches or sections. The largest national unions are the rapidly growing Swedish Municipal Workers' Union with 640,000 members, the Metal Workers' Union with 465,000, the State Employees' Union with 210,000, the Commercial Employees' Union with 160,000 and the Building Workers' Union with 150,000 members. The LO unions and the confederation itself have a total of about SEK 6.1 billion in their conflict funds.

In the white-collar area, the dominant confederation is TCO. With 1.1 million active members, TCO covers about 75% of all white-collar workers, which is a high figure in international terms. The largest of the 20 national unions affiliated with TCO is the Swedish Union of Clerical and Technical Employees in Industry with 280,000 members. The second-largest is the Swedish Union of Municipal Employees with 170,000 followed by the Federation of Civil Servants with 120,000 and the Union of Commercial Salaried Employees with 118,000. The TCO unions have about SEK 3 billion in their conflict funds.

The third major union confederation, as mentioned above, is SACO/SR, which now has 280,000 members. Most of these are employed within the public sector. The largest of the 25 national unions affiliated with SACO/SR are the National Union of Teachers in Sweden with some 45,000 members and the Swedish Association of Graduate Engineers with 45,000.

In addition to LO, TCO and SACO/SR, there are some smaller unaffiliated trade unions. They have little impact on the labor market as a whole.

Because TCO, unlike LO, does not take part in pay talks, three distinctive negotiating bodies have been formed in the white-collar area. Within the private sector, eight unions affiliated with TCO and 14 affiliated with SACO/SR negotiate jointly with employers through the Federation of Salaried Employees in Industry and Services *(Privatjänstemannakartellen, PTK)*. PTK was formed in 1973 and negotiates on behalf of about 500,000 union members, but is only empowered to sign recommendation agreements on behalf of the affiliated organizations.

There are corresponding negotiating bodies for the local and national government sectors. TCO's Section for State Employees, TCO-S, and the Federation of Salaried Local Government Employees *(Kommunaltjänstemannakartellen, KTK)* conclude agreements that are binding on member associations. Participation in KTK is also open to non-TCO unions with members in local government service. SACO/SR has corresponding cartels which negotiate for the local and national government sectors.

LO and to some extent TCO are organized on the industrial principle, which means that employees belong to national unions according to the economic sector in which they work, rather than by their profession. But some of the TCO unions as well as the member organizations within SACO/SR are structured according to the craft union principle.

Membership of LO 1900–1980, in millions

1900	0.04
1920	0.28
1940	0.97
1960	1.49
1980	2.13

SEK 1 (Swedish krona) = USD 0.16 or GBP 0.10 (approx.)

Employers

The dominant employer organization in the private sector is SAF, which has 43,000 member companies employing 1.26 million people, 60% of whom are LO members. Most SAF member companies are small (more than half of them have five employees or fewer). At one time SAF was primarily a negotiating body, but in recent years it has followed the example of LO and TCO and has come to devote equal energy to influencing public opinion. SAF has about SEK 3.2 billion in its insurance fund.

The largest of SAF's 35 member federations are the Swedish Engineering Employers' Association, whose member firms employ 325,000 people, the Commercial Employers' Association with companies employing 200,000, the SAF General Group with 125,000 and the Employers' Federation of the Swedish Construction Industry with 78,000.

Aside from SAF, there are separate employer organizations representing banks and publishers of periodicals. The Cooperative Employers' Association *(Kooperationens Förhandlingsorganisation, KFO)*, represents companies which have a total of 100,000 employees. The Employers' Association SFO *(Arbetsgivarföreningen, SFO)* represents companies and organizations with 125,000 employees.

In 1966, employees in the public sector were granted a major expansion of their right to negotiate and were empowered to go on strike and carry out related industrial action. The number of people working for the municipal governments and county councils in particular has grown very much in recent years. The National Agency for Government Employers *(Statens Arbetsgivarverk, SAV)* represents the State in its role as employer, negotiating with about 580,000 employees (including not only national civil servants but also municipally employed teachers). The Swedish Association of Local Authorities *(Svenska Kommunförbundet)* negotiates with 550,000 employees of Sweden's 284 municipal governments; the Federation of County Councils *(Landstingsförbundet)* negotiates with some 410,000 employees of the country's 23 county councils.

Collective bargaining

Over the years Sweden has avoided pursuing a State incomes policy. The employer organizations and the trade union movement have been regarded as strong enough to reach their own agreements on pay and other working conditions. These conditions were for many years normally regulated by nationwide collective bargaining agreements. But due to government taxation policies, the inflation rate and the shrinking margins for real pay increases, there has been a growing degree of consultation with the Cabinet on various pay and income issues.

The most important function of collective bargaining contracts is to preserve labor peace. If no such contract is in force, industrial action—strikes and lockouts—is permitted. Collective bargaining contracts also have a norm-creating function, i.e. a company and its employees are not allowed to sign agreements stipulating conditions which are poorer than those fixed by the applicable collective contract.

In the blue-collar area, negotiations between labor and management have traditionally been divided into three stages: centralized talks, negotiations between the national employer organizations and trade unions, and local intra-company negotiations. The system of centralized negotiations began in the mid-1950s. From 1956 to 1983 the normal negotiating cycle for blue-collar workers was roughly as follows:

1. Negotiations between SAF and LO. The two organizations presented a recommendation to their respective national member organizations to conclude collective bar-

gaining agreements within a specified framework. Over the years these recommendations became more and more detailed.

2. The national employers' associations and trade unions then negotiated sector by sector within this framework. (The formal contracts are still concluded at this level.) They include more detailed conditions for each sector.
3. Finally, individual companies negotiated with local unions on issues specific to each enterprise. This is still the case.

Other labor and management groups besides LO and SAF proceed in a similar manner with their bargaining rounds, in many cases at about the same time. Generally speaking, the agreements are valid for one or two years. If negotiations get stuck, the Cabinet can appoint a mediation commission. This has happened increasingly often in recent years, both in the private and public sector.

In the early 1980s, the system of centralized negotiations encountered growing criticism, mainly from the management side. Some employers argued that centralization left less room for adapting contracts to the conditions prevailing in specific industries and companies. Centralized bargaining combined with special supplements for low-paid employees also resulted in excessively narrow pay differentials.

The strongest criticism came from the Engineering Employers' Association—the largest employers' group within SAF—which concluded a direct agreement with the Metal Workers' Union in 1983. During the 1984 round of contract talks, negotiations between employer associations and national unions completely replaced centralized bargaining within the SAF-LO sector.

Later in the 1980s, a variety of negotiating systems were tried in the SAF-LO sphere. In 1985 and 1986, SAF and LO reached centralized accords containing more recommendations and fewer detailed stipulations than had characterized the agreements of the 1960s and 1970s. The 1988 bargaining round again took place at the employer association/national union level and resulted, with some exceptions, in one-year agreements. A 2-year agreement for 1989–1990 was reached centrally between SAF and LO for all areas except the Engineering Employers' Association and the Metal Workers' Union. Early in 1990, SAF decided to abandon centralized wage negotiations permanently.

Labor legislation

It was characteristic of the 1970s in Sweden that labor market issues that were previously regulated by collective bargaining agreements increasingly came to be regulated by legislation. Once fundamental social rights had essentially been achieved, politicians became increasingly interested in labor market issues. The employee side believed that the time was ripe to raise the standard of the labor market regulation provided by laws.

In 1971 the LO Congress, which meets every five years, adopted a wide-ranging program calling for greater employee participation in decision-making and other changes in labor law. TCO likewise adopted a program which called for greater co-determination. As a result of these demands, a large number of new labor laws were passed between 1973 and 1977. Some of the more important ones are described below.

First, however, a few words about the Labor Court *(Arbetsdomstolen)*, which was founded in 1928 and comprises the final—and in most cases the only—forum for settling legal disputes on labor issues. Its members include representatives from the State, the employers and the trade unions. In major cases, seven members sit on the Court—three representing the State and two representing labor and management respectively. Since 1974 the Court has heard 200–300 cases annually, after previously hearing substantially fewer cases for many years.

In 1974 the important *Security of Employment Act* went into effect and significantly increased the influence of employees and trade unions. Dismissal of an employee must be based on so-called objective grounds. Such grounds do not exist if it can reasonably be demanded that the employee be transferred to a different position in the same company. Older employees are entitled to longer periods of notice than younger ones: those under age 25 get one month and those 45 or over get six months. Former employees enjoy priority when a company is hiring again.

After criticism from employers and others, a revised Security of Employment Act was adopted in 1982. It re-introduced the option to hire people on a trial basis for up to six months, among other things in order to encourage the creation of new jobs.

The 1974 *Act Concerning the Status of Shop Stewards* entitles trade union representatives to perform their union duties on paid working time. Local branches decide which people are to be regarded as union officials, and the local branches enjoy priority when it comes to deciding what time these shop stewards may devote to union activities at the workplace.

A 1975 law increased opportunities for employees to be granted *leaves of absence from work to pursue studies* for long or short periods.

The *Working Environment Act* of 1978 replaced an earlier workers' protection law and increased the rights of trade unions to help improve the working environment. The concept of the working environment now encompasses work systems, working hours, and adaptation of work to human factors, both physical and psychosocial. Safety stewards (delegates) were granted the right to halt dangerous work under certain circumstances. The SAF-LO-PTK working environment agreement of 1976 regulates the tasks and responsibilities of the safety committees required at larger workplaces to supervise their occupational health and safety programs.

The 1980 *Act on Equality between Men and Women* forbids an employer from discriminating against an employee on account of sex. Men and women should enjoy equal opportunities for employment, training, promotion and on-the-job development. They should receive equal pay for work of equal value.

The *Vacation Act* of 1978 increased the statutory minimum paid vacation from four to five weeks.

During the past five years there have been few changes in the labor legislation.

Employee participation

One of the most complex labor market issues in Sweden during the 1970s was employee participation in decision-making at the workplace. A long series of changes and innovations took place. Three different levels of participation have generally been mentioned: shop floor participation, company participation and financial participation.

Shop floor participation refers to the ultimate purpose of co-determination reforms, i.e. to enhance the individual's influence over his or her own working situation. Working systems are one area in which companies and government agencies have shown great interest. Companies like Volvo and Saab-Scania have attracted attention because of their efforts to improve the design of workplaces and job content, so as to create a better working environment and increase the opportunities for employees to influence their own work situation.

Large factories have been divided up into small independent work areas, and power has been delegated to lower-tier executives and to foremen. The importance of this kind of co-determination, of better information for employees and of continuous training is obvious to both employers and unions. The influence of the individual is also stressed in the so-called development agreement of 1982 between SAF and LO/PTK (see below).

Company participation refers to the influence of employees over their workplace through representative channels. In Sweden this is done entirely through the trade unions. At this level, union representation in advisory bodies within companies began when the SAF-LO and SAF-TCO works council agreements were signed in 1946. These agreements were replaced in 1977 by the *Act on Employee Participation in Decision-Making (MBL)*.

By law, local unions may appoint employee representatives to the board of directors of a privately owned company with at least 25 employees. They are entitled to two regular board members and two deputy members. In companies with 1,000 or more employees operating in more than one economic sector, employees may appoint three regular board members and three deputy members. Employee representatives may never hold a voting majority, however. They have the same rights and responsibilities as other board members, but on certain issues where their union and the company have conflicting interests (collective bargaining issues, labor disputes etc.) they must disqualify themselves from the board's deliberations. A union or an employer that violates the legal rules on employee representation may be ordered by a court to pay damages.

MBL applies to all workplaces where one or more union members are employed. The law also regulates numerous other issues, such as the right of association and negotiation, and rules concerning mediation and conciliation.

The portions of the Law dealing with employee influence on decision-making received the most attention. Their aim is to ensure trade unions the right of negotiation and in-

fluence at different levels in a company, in order to guarantee the rights of the individual employee.

The employer has a so-called primary obligation to negotiate, i.e. is obliged to confer with local unions before implementing decisions that involve a major change for employees in general or an individual union member. If the two sides cannot reach an agreement, the matter can be referred to negotiations on a national level. Only after that is the employer entitled to make a decision. If an employer does not follow these rules, he can be ordered to pay damages.

The employer also has a primary obligation to provide information. Unions have access to practically all company documents. At the request of the union, employee participation in decision-making can be further regulated through a collective bargaining agreement. In certain types of dispute, the view of the unions enjoys priority until the dispute has been settled in the Labor Court or by other means. Trade unions have some veto rights against the temporary use of subcontractors.

Supplementary employee participation agreements have subsequently been concluded in most sectors, beginning with the State civil service in 1978. SAF, LO and PTK reached such an agreement in 1982. The main concept of this Agreement on Efficiency and Participation (in Sweden called the Development Agreement) is delegation to foremen and individual employees. All the nationwide employee participation agreements that have been signed since MBL went into effect are supposed to be followed up by local collective agreements.

Financial participation, lastly, has come to focus on the question of who should own companies. In 1975 LO called for the creation of employee funds, sometimes also referred to as wage-earner funds. This issue has awakened by far the greatest disagreement between the employer and employee sides in recent years.

A number of models for such funds were presented. In 1983 Parliament took the decision to introduce a system of five regional funds as from January 1984. Each fund has a nine-member board of directors including five trade union representatives. Roughly SEK 2 billion per year is collected from companies in the form of 20% of net profits exceeding a certain level (after adjustment for inflation) plus an employer fee totaling 0.2% of payrolls. According to the Act this system will last for seven years from 1984 to 1990.

Employment and immigration

In international terms, Sweden has a high participation level in the labor market. The labor force of 4.5 million people covers over 53% of the overall population and nearly 83% of those aged 16–64. 1.1 million people in the labor force work part-time.

The sharp rise in the number of part-time employees has primarily been the result of the very large increase in the number of women on the job market. During the 1940s, women accounted for about 25% of the labor force. By 1987 this figure had climbed to around 48%.

By law, the maximum normal working week is 40 hours. Actual working time, i.e. after taking into account absences and overtime, is about 1,470 hours per year. Internationally speaking, this is a very low figure.

Registered unemployment in Sweden is around 1.5%. In addition, 3–4% of the labor force has been involved in government-sponsored labor market programs. Responsible for overseeing these programs is the National Labor Market Administration, consisting of the National Labor Market Board *(Arbetsmarknadsstyrelsen, AMS)*—whose governing body has a majority of union and employer representatives—the county labor boards and the local employment service offices.

Labor market policy focuses mainly on job placement services. During fiscal 1987/88 there were a total of 893,000 people registered as job seekers at the employment services. The total number of registered job openings was 756,000.

The most important programs for those to whom no jobs could be offered on the open market were relief work for 15,200 people, labor market training for an average of 39,000 people at a time, and employment with government-subsidized pay for 43,200 people. An additional 28,300 people were employed in sheltered workshops run by *Samhall AB*, founded in 1979. Pure unemployment benefit normally only accounts for one-tenth of the costs of labor market policy, but in recent years it has climbed to more than one-fourth.

Unemployment insurance is administered mainly by unemployment benefit societies linked to various trade unions. These societies are formally independent of the unions, however, and are financed primarily by the national government.

In the past 30–40 years, the number of immigrants has risen substantially, although there has been a certain decline in recent years. About 420,000 foreign citizens now reside in Sweden, and an additional 490,000 people are naturalized Swedish citizens. Immigration was on an especially large scale during the 1960s. Industry needed labor, and Swedish working conditions were attractive. In 1970, immigration peaked at 73,000.

Subsequent immigration has been uneven. In recent years, the number of foreign citizens in the labor force has dropped from more than 6% to slightly over 5%. Of the roughly 225,000 immigrants in the labor force, about 60% come from the Nordic countries, primarily from Finland. Immigrants have the same rights on the labor market as Swedish citizens.

Current topics

During the long economic expansion of the 1980s, Sweden's labor participation rate climbed to its highest level ever. In industry and large portions of the public social welfare and health care systems, attracting and retaining qualified employees became a problem. New values and attitudes have also helped to make the recruitment situation more difficult, especially in the Stockholm, Göteborg (Gothenburg) and Malmö metropolitan areas.

During the 1990s, the age structure of the labor force will change—with a decline in the number of young adults and a rising number of older employees. Because technological advances presuppose a well-educated labor force, training and development of specialized skills have become factors of strategic importance to employers.

To study and come to grips with growing problems in worklife such as work-related injuries, sick leave and disability pensions, the government has appointed a commission on the working environment, including participants from both employer and labor organizations. The commission will focus its work on the 400,000 environmentally most difficult jobs in Sweden.

The 1980s have witnessed the development of mechanisms for cooperation between national employer and labor organizations to promote innovation in technology, job systems and working environment. They are aimed at improving both efficiency and the quality of working life at Swedish companies and public agencies. Much of this work has occurred as part of various development programs sponsored by the Work Environment Fund and on the basis of the Agreement on Efficiency and Participation.

The government has announced a major income tax reform, to be completed no later than 1991, which would greatly reduce marginal taxes for individuals. This step is expected to have a stimulating effect on the overall supply of labor during the 1990s.

Meanwhile, however, productivity continues to grow slowly in Sweden. Productivity problems have also been noted in the public sector. This has led to public discussion on possible reforms in salary systems and on whether to allow an expansion of private alternatives to various types of public services.

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